

Approved
October 14, 2021
as written

PINE MEADOW MUTUAL WATER COMPANY
BOARD OF TRUSTEES ANNUAL WATER MEETING
THURSDAY, NOVEMBER 5, 2020
KIMBALL JUNCTION LIBRARY
SUMMIT COUNTY, UTAH

Board Members in Attendance: Steve Anderson, Scott Smith, Shaun Baker.

Ex Officio: Brody Blonquist, Carol Steedman with KGC Associates, Administrative Secretary

Excused Board Members: Eric Cylvick, Duane Yamashiro

Guests: Amber Martinez, PI-D-53; Tim Williams, PI-I-6; Scott Boyle, PI-I-18; Andrew Pagel, PI-4; Michelle Suitor, PI-G-27; Paul Suitor PI-G-36 & PI-G-29; Larry Wood, PI-28; Tom LeCheminant, PI-D-29; Orval Rice, PI-I-13 & 14; Hunter Jackson, FM-C-42

Steve Anderson opened the Annual Meeting at 6:30 p.m.

Approval of 2019 Annual Meeting Minutes

MOTION: Shaun Baker moved to approve the 2019 Annual Meeting Minutes dated Thursday, November 7, 2019 as written. Scott Smith seconded the motion.

VOTE: The motion passed unanimously.

Financial Report and 2021 Budget

Carol reviewed the comparison budget and the profit and loss analysis. She noted that in 2019 the Water Company had a record gross profit at 103%, which includes annexations, connections, and water hookups. She referred to the section titled Total Water Assessments and noted that 95% of the total assessments was collected. Carol stated that it is typical for the Water Company to be well into the 90 percentile every year.

Carol referred to the expenses for 2019 and noted that the expense was well under

100%, which translates into a healthy net ordinary income. She pointed out that the net ordinary income was \$134,000. Carol explained that in 2018 the assessments were set up to cover the expense of the new meters. She remarked that the budget increase was in preparation to avoid having to charge a special assessment for new meters.

Carol referred to the first page of the profit and loss for 2020, total water assessments, and noted that they were well into 98%. She pointed out that there was still a month and a half until the end of the year, and she anticipated reaching over 100%

Carol stated that currently the Water Company had \$316,000 in Revenue over Expense, and the total expense was only 70%. She explained that the expenses looked low because they still had to pay for the existing water shares, which is approximately \$60,000. Carol anticipated another \$110,000 in expenses for the remaining two months of the year.

Mr. Anderson noted that the Water Company also needed to fund the reserve accounts. Carol stated that \$22,500 would go towards funding the Mountain Regional water reserve to enable the Water Company to purchase water from Mountain Regional if it becomes necessary. Carol explained that currently there was an expense from Mountain Regional for water in the amount of \$26,000 that had not yet been invoiced, but they know it is coming. She pointed out that the Water Company was well-prepared to cover the water meters expenses without a special assessment.

Mr. Anderson reported that a couple years ago the Board made a decision to put away money for capital reserve, the Mountain Regional Water purchase, and a legal fund. The reserve funds will be funded at the end of the year.

MOTION: Scott Smith moved to ACCEPT the 2021 Budget and Revenue and Expenditure statements as presented. Shaun Baker seconded the motion.

VOTE: The motion passed unanimously.

Carol reviewed the Balance Sheet. She noted that the Water Company puts money into two separate checking accounts. It is done intentionally to keep from having all the money in one bank. Carol stated that there was a little money left in operations and that money from the other bank would be transferred later this month. Carol stated that there was approximately \$428,000 in operating funds. She explained the debt reserve that was listed. She explained that when the Water Company took the \$6 million loan to upgrade the water system, the Division of Drinking Water required them to put \$1800 per month into a debt reserve account until the debt reserve reaches a balance of \$310,000.

Carol explained that it is still Water Company money, but it is held in the debt reserve account as collateral against the loan.

Carol reiterated that the Mountain Regional Reserve is \$22,500 per year, which gives the Water Company the ability to buy water. Currently, the cost is at lower rate. If for some reason the Water Company needs to purchase water beyond the available capacity, they have a Memorandum of Understanding with Mountain Regional that allows them to purchase water at wholesale. Carol explained that Mountain Regional can sell water to the Water Company, and the Water Company can sell water back to Mountain Regional as needed for each group.

Carol stated that the \$16,000 money market on the balance sheet was a safety net small savings account.

Carol stated that the 2021 budget was designed to follow what was done in 2020. She noted that the numbers shifted slightly for cost of living, payroll, etc., but there were no major changes. Carol pointed out an \$85,000 loss on the 2021 budget. She explained that the loss was due to the new meters coming next year that everyone who has a water connection will receive. Out of 472 total meters, Brody had already installed 112 meters. Next year, another \$100,000 will be used to install those meters. Carol referred to the top of page 3, Meter Installations, and noted that \$100,000 is allocated to cover the cost of those meters, which accounts for the \$85,000 loss. Carol stated that the bank accounts were in good shape and the revenue over expenditures was in the black. The \$85,000 loss was only a book number. Carol reported that the Water Company had done very well to plan for this big two-year expenditure.

Mr. Anderson pointed out that the remaining loan balance on the water system was reflected at the bottom of page 2. Carol stated that \$4,802,000 was still owed on the loans. It is a 30-year loan that started at \$6.2 million. The interest is low at 3% and the monthly payment is \$25,000. Mr. Anderson stated that once they build up the reserve accounts, the Board would like to begin paying a little extra on the loan each month, but that would be decided in the future.

MOTION: Scott Smith moved to APPROVE the balance sheet as presented. Steve Anderson seconded the motion.

VOTE: The motion passed unanimously.

Manager's Report

Brody Blonquist reported that a main issue with the water system was that the wells took a major usage hit this year. The production was less than in previous years due to the drought in Utah. There is also more construction around the Ranch and people outside the Ranch are drilling their own wells. Brody stated that Blue Sky to the east had drilled wells, and people down Tollgate Canyon drilled wells for their own private use. It all pulls off the same aquifer and eventually the use begins to deplete production. Brody stated that they went from a production of approximately 42 gallons per minute in the water system down to approximately 24 gallons per minute. He remarked that with 472 connections relying on 24 gallons per minute makes it very difficult to operate a water system. Brody reported that Pine Meadow Water did their connection with Mountain Regional which comes in from Stagecoach. The connection is mainly relied on for emergency purposes only such as fire flow, a water break, etc. He noted that currently Mountain Regional can send approximately 400 gallons per minute. However, that amount is not in the agreement of what they will be able to send if there is an emergency situation. They were on track to get approximately 150 gallons per minute guaranteed from Mountain Regional, which is what they need to meet the demands at full buildout for the entire Ranch.

Brody stated that there was a lot of usage on the Ranch this summer and the Water Company relied heavily on Mountain Regional. He recalled that the usage was 1.3 million gallons more this year than in previous years. There are more full-time residents on the Ranch. Brody and Trevor were also trying to track down leaks a lot faster for customers and for the water system. Brody stated that currently there was 32 miles of pipeline. The water system was losing five gallons per minute through the night and they were unsure if it was due to a leak or from people running their dishwasher or washing machine on a timer. He remarked that five gallons per minute with 32 miles of pipeline is considered a tight system per the State of Utah. Brody stated that he and Trevor run a tight system because they do not have the water to lose, and they understand that the water loss is paid for by the customers.

Amber Martinez, Lot PI-D-53, recalled that at the last Annual Meeting, the Board member who did the presentation kept saying that there was an endless supply of water. She thought that was inaccurate when he said it, and now the Water Company is saying there is not enough water. Ms. Martinez was concerned about another increase in the assessment. Brody explained that the higher water users are charged more than what the Water Company purchases water from Mountain Regional. The fees for excess usage are adjusted to avoid another assessment increase. It was clarified that there would not be a rate increase for 2021.

Andrew Pagel, Lot PI-4, stated that when they were trying to get up to 150 gallons per minute from Mountain Regional to sustain full buildout, he asked if full buildout was still classified as a Mountain Regional use area. Brody replied that per the Division of Drinking Water classification, Pine Meadow Water is under reduced requirements with the State of Utah because they do not allow outside watering. He stated that the 150 gallons per minute is under the reduced requirements. The Water Company has no intention of changing that with the State of Utah because they do not want irrigation systems on the Ranch. Brody clarified that when they applied for the loan, a major point for getting the reduced requirement was that the Water Company would not allow outside water irrigation. Brody noted that a few years back they were required to drill a well before they could get the loan and it came up dry. The DDW is very aware of the water situation on the Ranch.

Mr. Anderson stated that typically when designing a water system, each source must be able to produce 800 gallons per day per connection for indoor system. If the system is used for outdoor water, that would require another 800 gallons per day per connection. He explained that a few years ago, the State revised their requirement to allow for a reduced amount based on a history of use. He recalled that the Pine Meadow water system was approved for 227 gallons per day per connection. Mr. Anderson noted that the Water Company was working with Mountain Regional to make sure that water is available to the system at full buildout.

In response to a question about Mountain Regional Water, Brody stated that Mountain Regional supplies Promontory, Glenwild, the area by Home Depot and the area across the highway from Home Depot. Park City and Gorgoza purchase a lot of water from Mountain Regional. Brody pointed out that a lot of water systems are building water treatment plants so they can treat water right out of the river. Mountain Regional is preparing to build another treatment plant, and Park City as building their own treatment plant going into Park City. Brody pointed out that if Pine Meadow had not had a connection into Mountain Regional, they would have been out of water this year.

Mr. Anderson stated that they live in a desert and water is a precious commodity. The Water Company created the rate schedule to encourage conservation of water. Those who use more pay more.

In response to a question regarding swimming pools, Brody stated that everyone comments on the swimming pool; however, he has seen it and it is only a small lap pool. The owners haul in water to fill the pool and it does not come from the water system. He recalled that the owner purchased water directly from Mountain Regional to fill the pool.

Mr. Anderson clarified that the Water Company was trying to get a formal arrangement with Mountain Regional to guarantee 150 gallons per day per connection. There is currently a goodwill agreement with Mountain Regional, but the Board would like a formalized agreement to make sure they have a long-term source of water. Mr. Anderson noted that a meeting with Mountain Regional was scheduled for the first part of December.

Regarding the new meters, Brody reported that the Water Company put in 10 test meters to see how they would work on the Ranch. He pointed out that everything is becoming technology based and the existing meters are nearly 12 years old. As the batteries begin to die, the meters are less reliable. Brody stated that the Water Company researched three different water systems to see which meters would be best for the Ranch. They decided on cellular meters. Each meter has a cellular device with a data plan. Ten meters were tested during the winter and they worked really well. The Water Company installed 102 cellular meters in the Forest Meadows area. The Board made the decision to move ahead with installing the remainder of the meters next year. Brody remarked that one advantage is that every lot owner can access their own data. Once the meter is installed, the Water Company sends the owner a link and they can set up an app on their personal phone. The app will show how much water has been used up to the minute, and it will track usage for the month and hour of day. It also has a leak alert. If the owner sets the alert it will email or text if it detects a leak for 24 hours or longer. Brody stated that the system is user-friendly for both the customer and the Water Company. If a leak is detected, in addition to alerting the property owner it also alerts the Water Company. He remarked that the customers who already have these meters love the technology. Brody stated that he and Trevor will install the meters, which takes longer, and they will be moving forward installing meters again next year.

In looking through the proposed budget, someone wanted to know how many people were covered under the health insurance. Carol replied that only Brody Blonquist and Trevor Townsend are covered under the insurance because they are the two Water Company employees.

In response to a question about the travel expense in the budget, Brody explained that travel is in the budget because he and Trevor are required to be certified by the Division of Drinking Water and they need to attend classes. The classes are not always held nearby and sometimes they need to travel a good distance to attend a class. Brody stated that Trevor was getting cross-connection certified this year. He was supposed to travel to southern Utah, but the in-person class was cancelled due to Covid-19 and the class was held online.

Andrew Pagel, Lot PI-4, calculated the number of gallons needed at full buildout estimated the cost to be \$50,000 per year to buy water from Mountain Regional. If the Water Company source is only 24 gallons, the Water Company would only be supplying 16% of the total water requirements in the neighborhood. The remaining 84% would be coming from Mountain Regional. Mr. Pagel questioned why the Board could see no need to increase the rates with all the water that would be coming from an outside source. Mr. Anderson replied that full buildout was still a long time away. At this point in time, the proposed budget sets aside some reserve to pay for that water. Brody pointed out that the price of equipment and water could increase over time and there is no way to guarantee that the rates will not need to be increased at some point; however, at this time, they do not see that happening. Mr. Anderson stated that the Water Company has a good history of not increasing rates very often. Rates are typically increased every four or five years due to inflation or unforeseen expenses. Mr. Anderson remarked that in general, the Water Company runs very efficiently compared to other water companies.

Mr. Pagel asked about purchasing the new meters. Mr. Anderson stated that the meters were budgeted into the new rates. Mr. Pagel asked when they expected all the meters to be installed. Brody replied that the goal is to complete the meter installations by the end of next year.

Scott Boyle, Lot PI-I-18, stated at one point in time he understood that Pine Meadow Ranch owned every point of diversion on the Mountain, which meant that no one could drill a well on the Mountain without permission by the Water Company. Brody replied that it is only within the Water Company boundary. Mr. Boyle remarked that wells were drilled down Forest Meadow and almost to the bottom of Tollgate Canyon. He was told that there is a lot less HOA land than what most people think. Brody explained that someone would buy a point of diversion and put it wherever they want. Mr. Boyle stated that at one time there were hundreds of points of diversions that Pine Meadow Ranch owned that covered all the way up to the top of Stagecoach and clear out by Lewis Peak. He asked if they just allow people to drill. Brody reiterated that the Water Company has no authority outside of their boundary. Mr. Boyle stated that the Water Company owns the points of diversion. Brody explained that they own the point of diversion on a specific piece of property, but that does not give them the right to tell the owner he cannot drill a well on that piece of property just because they also has a point of diversion on that property.

Mr. Anderson stated that only the State can permit points of diversion. The State will not allow someone to drill a well within the Pine Meadow boundary, and they will not allow them to put a well inside a public water supply boundary. However, if someone is

outside of those boundaries, that person can go to the State and request a point of diversion, but only if they have a water right from somewhere else because the State no longer gives out water rights. Mr. Boyle believed there were points of diversion outside the Ranch boundaries that Pine Meadow Ranch owns. Brody agreed, but explained that the Water Company cannot control those properties. Brody stated that the farthest they go is from Oil Well up to the 500,000-gallon tank, out to Uncle Tom's, and over to the boundary of Forest Meadows on that side. Those are the only places he has seen the points of diversion that are outside of the Ranch boundaries. Brody explained that when the Water Company applied for the loan, they had to identify the points of diversion and the water shares and water rights. Mr. Anderson stated that he had done a search on the State data base and Brody's explanation was consistent with what he had seen. If Mr. Boyle was aware of something else, the Board would be interested in hearing more. Mr. Boyle stated that when the Water Company was being formed, they did a lot of research and found points of diversion all over the mountainside, including outside of the Pine Meadow boundary. Mr. Anderson asked if Mr. Boyle believed the Water Company owned those at one time. Mr. Boyle replied that the HOA owned them because at the time the HOA and the Water Company were all one entity. They were later separated into individual entities. They needed to identify the points of diversion in order to prevent people from drilling wells without approval of the Water Board.

Approval of an Annexation Increase by One Standby

Mr. Anderson reported that this proposal would increase the current annexation fee \$20,358 by one standby fee of \$770. Carol clarified that this would be for the SS lots outside the Ranch boundaries, Forest Meadow and the Tollgate area.

MOTION: Scott Smith moved to APPROVE the increase the annexation fee by one standby fee of \$770. Shaun Baker seconded the motion.

VOTE: The motion passed unanimously.

Someone asked for clarification on the annexation fee. Carol stated that the State and the Pine Meadow Water Rules and Regulations requires a fairness program. If someone moves into a lot outside of the HOA and they want water, but they have never paid for standby water, they are required to pay what someone would have paid for the previous years. The annexation fee is currently a lump sum of \$20,358 to connect to the Water Company. Per the PMMWC Bylaws, each year it will increase by one standby fee of \$770, which will total \$21,058 in 2021. Carol remarked that if an outside lot wants to annex into the Water Company, they are also required to join the HOA, pay all HOA dues, and be subject to the HOA CC&Rs.

Fee Schedule

Mr. Anderson commented on the EYE ON water fee. He stated that there is a minimal charge for the service of being able to have it on your phone. The charge is .89 per month this year. Carol explained that the charge is also for the Water Company to be able to access the data base on the website. She stated that the mandatory charge of \$10.68 will show up on their yearly invoice and that pays for the full year. Carol explained that \$10.68 is not considered a rate increase. It is an access fee for the Water Company to access your water information. The charge per meter is required by the company who supplies the new meters.

Mr. Anderson stated that another item proposed for the Fee Schedule is a convenience fee for processing credit cards. He noted that the credit card companies charge approximately 3-1/2% and it is up to the customer to pay the convenience fee for the ability to use a credit card. The other option is to set up a payment that comes directly from their bank and that is free of charge. People can also send in a check or do an e-check over the phone. Carol pointed out having the customer pay the convenience fee keeps \$15,000 in the Water Company to be used for other purposes. She noted that currently, over 65% of the shareholders pay by credit card.

MOTION: Scott Boyle, PI-I-18, moved to APPROVE the 2021 Fee Schedule as presented this evening. Paul Suitor, PI-G-26, seconded the motion.

VOTE: The motion passed unanimously.

Election - Candidates

Scott Smith, PI-C-14, stated that he has enjoyed being on the Board. He has been on the Mountain for 20 years. He was grateful to give time to the Board and he has learned a lot.

Tom LeCheminant, PI-D-29, stated that he was a volunteer member to the Water Board representing the HOA when he was on the HOA Board. He likes to know what goes on around the Mountain and decided to run for a seat on the Water Board.

Steve Anderson, PI-D-27, stated that he has been on the Board for 3 years. He lives at the end of Beaver Circle and has enjoyed being on the Board. He has a background in water design and water systems, and it has been fun to work with Brody and Trevor and to add some value to the Board.

Scott Boyle, PI-I-18, stated that he has been on the Mountain since 1977 and he has been in the HOA for quite a while. He started with the Water Board in 2000 when the two entities were split. Mr. Boyle stated that he wants to be involved with what is going on around the mountain.

Brody thanked the Board members for their contribution to the Board. He stated that there is a lot more to being a Board member than just meeting once a month. He gets two or three emails from Board members each week because they are constantly looking into different things and constantly communicating with each other to make the water system better. Brody remarked that all the Board members go above and beyond a once-a-month meeting.

Brody thanked Tom LeCheminant and Scott Boyle for running as candidates. There have been numerous years where no one was interested in the Water Company and they had to appoint people to sit on the Board. Being on the Board takes a lot of time, but it is good to have different eyes and different people looking into things.

Brody thanked Carol for all she does to keep everything running smoothly and for all the time she puts in.

Carol thanked Brody and Trevor for their work because no one would have water without their efforts. Their expertise has shined over the 16 years she has been working for the Water Company. She appreciated the amazing team of Brody and Trevor working with Jody and Porter from the HOA. These skilled and dedicated men are all top notch, and the shareholders are fortunate to have them.

Brody stated that he has been working with the water system for 19 years and there has not been one year where the Water Company took a step backwards. They are constantly moving forward and keeping up with technology, and they hold everything in the water system to higher standards. Mr. Anderson stated that even in the eyes of the State of Utah, Pine Meadow Mutual Water Company runs an efficient operation and is a industry recognized water company.

Mr. Pagel wanted to know where in the profit and loss they identified how much the Water Company paid to Mountain Regional this year. Brody replied that they have not yet paid anything this year. He explained that they used close to 2 million gallons. They plan to get through the winter and see where it ends up, and then settle at that time. Brody stated that Mountain Regional gave Pine Meadow 3 million gallons and Pine Meadow gave Mountain Regional 1 million gallons. Carol pointed out that there is a

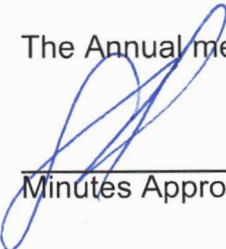
capital reserve budgeted item under Restricted Funds on page 2 of the Profit and Loss, and that is the money they will use to pay Mountain Regional.

Mr. Pagel was concerned that the Water Company would pay anything to Mountain Regional. Carol explained that there is a Memorandum of Understanding stating that part of the water goes to Stagecoach and whatever is used there is put in a credit bank and water supply is credited back and forth between entities.

Mr. Pagel was concerned about the future and potentially reaching a point where Pine Meadow just buys water from Mountain Regional, he could not see how they could purchase the necessary water under the current income. Mr. Anderson reiterated that the Water Company was building up a reserve now to pay for that water in the future. He noted that \$22,500 is put into that reserve each year to buy water. Mr. Anderson agreed that at some point they might run out of the reserve, but they have allocated money in the budget to build up a reserve of \$300,000 to help pay for that water in the future. Mr. Anderson recognized that a rate increase might become necessary in the future if they end up using more water than they are now. However, there is no way to foresee that from now to put it in the budget.

Mr. Anderson pointed out that the Pine Meadow Water and Mountain Regional have a mutual relationship and they rely on each other. Brody stated that Mountain Regional uses the Pine Meadow Water system to supply the upper half of Stagecoach. It is mutually a win/win situation for both water companies.

The Annual meeting of the Pine Meadow Mutual Water Company adjourned at 7:45 p.m.



Minutes Approved

12/14/21

Date